

February 23, 2007

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the February 23, 2007 meeting were distributed to Commission members, intervenors and other interested parties January 19, 2007 and sent to the Secretary of State's Office for posting on January 19, 2007.

Commission Present: Chair, Michael Wiers, John Joseph Jr., Katherine O. Musgrave and Shelley Doak, *ex-officio*.

Commission Absent: Colon Durrell

Department Officials: None

Staff Present: Stan Millay, Executive Director, Carol Gauthier, administrative assistant and Audrey Shorty, Resource Administrator.

Legal Counsel: Lucinda White, Assistant Attorney General present.

Intervenors Present: John Blake, H.P. Hood, Inc., John Economy, Garelick Farms of Maine and Thomas Brigham, Oakhurst Dairy.

Others Present: Dale Cole, dairy farmer and President, MDIA, and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present were, dairy farmers Chuck Farrand, Barney Wright, Galen Larrabee, Richard Perkins and John and Belinda Stoughton. Also present were Dr. George Criner and Lisa Bragg from the University of Maine.

Meeting called to order at 1:40 p.m. by chair, Michael Wiers.

Agenda Item 1: Minutes: John Joseph made a motion to accept the minutes of the January 19, 2007 meeting. Shelley Doak seconded. Motion passed 3-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: Commission reviewed memo from Lucinda White concerning producer cost of production.

Agenda Item 3: Minimum Prices: There is a prevailing premium of \$1.50/cwt on Class I for March 2007 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.35/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect on March milk. Federal Order One Class I price for March is \$17.50.

There is a Farm Bill Counter Cyclical Payment (MILC) for March 2007 of \$0.00/cwt. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Shelley Doak made a motion to consider schedule #03-07 with a producer cost of production adjustment of \$1.55cwt. It includes a \$17.50/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.85/cwt. as prevailing in neighboring states, plus \$0.23/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$21.33/cwt.

Tom Brigham suggested that the rBST premium of \$0.75 be reported separately from the \$1.10 prevailing premium.

John Blake asked for the rationale behind keeping the producer cost of production adjustment at \$1.55/cwt. He reminded the Commission that last month the Commission voted to increase the producer cost of production adjustment from \$1.35/cwt to \$1.55/cwt because the Class I price went down \$0.20. He said that following that formula, the producer cost of production should decrease \$0.86/cwt since the Class I price increased that amount from February.

Julie-Marie Bickford responded telling the Commission that she thought the Commission based the prices last month on Dr. Dalton Cost of Production estimates rather than on Class I price movement.

Tom Brigham asked the Commission to consider Dr. Dalton's cost of production estimates and the difference between that and the current cost of production levels adopted by the Commission. He asked for justification between those levels and the short run breakeven prices adopted in rule.

Dale Cole reminded the Commission that they are not bound by the short run breakeven price used in the dairy support program.

Stan Millay explained that the amount of money that goes to a producer from any prevailing Class I premium adopted by the Commission is calculated by the Maine processor based on their Maine Class I sales in Maine. For example, a Maine processor that has 45% of their Class I sales within Maine is only obligated to pay to the producer 45% of any Class I premium adopted. Therefore, a prevailing premium adopted by the Commission of \$1.85/cwt only returns \$0.83/cwt to the producer. He went to explain that most producers are paid on components and a producer price differential, both of which are determined by the Federal Order. The Class I price does not figure into that payment directly.

Tom Brigham told the Commission that they should look at all of the payments that a producer receives in order to determine the true amount of payment.

Julie-Marie Bickford pointed out that any MILC payment that a producer receives is subtracted from the tier support program.

Chairman Wiers told the Commission that they needed to bring balance into their decisions so as to do what is best for the entire industry. He reminded the Commission that formulas had not worked in the past.

John Joseph made a motion to accept schedule #03-07 as presented with a producer cost of production adjustment of \$1.55/cwt. It included a \$17.50/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.85/cwt. as prevailing in neighboring states, plus \$0.23/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$21.33/cwt. Katherine Musgrave seconded the motion.

John Joseph asked how much the increase of \$0.86/cwt in the Class I Price from last month affected the producer pay.

Stan answered by explaining that producers are paid on components and a producer price differential, both of which are determined by the Federal Order. The Class I price does not figure into that payment directly. He said that adjustments made to the Class I price by the Commission provided some additional money to producers in most cases. He told the Commission that an increase in the Class I price was an indication that producer payments would be higher as well.

Motion passed 3-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for February 2007 which included prices for Augusta and Bangor and reviewed the IAMCA milk price survey.

Agenda Item 5: Next Scheduled Meetings:

- March 23, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- April 20, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- May 18, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- June 22, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed income and expenditures.
2. **Dealer Margins:** Dr. Criner reported that the University of Maine had collected data from Maine's processors and met with the processors. He stated that he still needs a few more pieces. He said a full report would be available by the next meeting.
3. **Retail Margins:** Dr. Criner reported that the Retail Margin study will be starting soon.
4. **IAMCA Meeting in August:** Stan Millay reported that plans are coming along for this meeting that the Commission is hosting in Portland, Maine on August 5-8, 2007.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: 3:00 p.m.

Stanley Millay, Executive Director, Maine Milk Commission.